

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

June 18, 2009

ACTION REQUEST

Subject: Subcontract Agreement between the University of Michigan and Adaptive Materials, Inc.

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research, Development and Administration while reviewing the Proposal Approval Form. This then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed by this Committee and agreed to by the parties involved.

This proposed agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor John W. Halloran is both an employee of the University of Michigan ("University") and co-founder and part owner of Adaptive Materials, Inc. ("Company"). The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents.

Background:

Dr. John Halloran, Professor of Materials Science & Engineering, College of Engineering, is a co-founder and has a minority ownership interest in Adaptive Materials, Inc., a for-profit corporation located in Ann Arbor. Dr. Andrew Tadd, Assistant Research Scientist, Chemical Engineering, in the Principal Investigator, and will be responsible for the overall financial and scientific oversight of the portion of the work to be subcontracted into the University.

Nature of the Agreement:

The Company has been awarded a contract under a proposal to the Defense Advanced Research Projects Agency (DARPA). The Company would like to subcontract a portion of the work under this contract to the University. The University's conduct of this particular work will be under the direction of Dr. Tadd as Principle Investigator.

Agreement Terms:

The University's standard contract provisions will apply to the University's part of the project. Under the project, a total subcontract of \$ 561,344 is anticipated to cover a period of thirty (30) months. Since agreements are often amended, the contract will include provisions for changes in time, amount, and scope of the project. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Impact of the Agreement:

The Agreement will enable the University to participate in important research efforts to use solid oxide fuel cells for the efficient conversion of hydrocarbon fuels to electricity.

Recommendation:

This Agreement has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of this disclosure and our finding that the agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with Adaptive Materials, Inc.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen R. Forrest
Vice President for Research

June 2009